



some key issues and challenges for employee

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Outline

1. What (and who) they are?
2. Implications for employment
3. Implications for industrial relations
4. Some challenges

A definition

‘A multinational or transnational enterprise is an enterprise that engages in foreign direct investment (FDI) and owns or, in some way, controls value-added activities in more than one country.’ (Dunning & Lundan 2008: 3)

Problem: A threshold definition

- Many different types of MNCs
- Different degrees of transnationalization
- Boundaries? Different ways of exercising control (de jure, de facto)

Distinctive features: both cross-border production and transactions

1. Organises/coordinate multiple value activities across national boundaries
2. Internalises at least some of the cross-border markets for the intermediate products

The largest MNCs, by foreign assets, 2011 (UNCTAD)

	Corporation	Home economy	Industry c	Assets		Sales		Employment		TNI b
				Foreign	Total	Foreign	Total	Foreign d	Total	
1	General Electric Co	United States	Electrical & electronic equipment	502 612	717 242	77 480	147 300	170 000	301 000	59.7
2	Royal Dutch Shell plc	Netherlands/United Kingdom	Petroleum expl./ref./distr.	296 449	345 257	282 673	470 171	75 000	90 000	76.4
3	BP plc	United Kingdom	Petroleum expl./ref./distr.	263 577	293 068	308 437	386 463	68 005	83 433	83.8
4	Exxon Mobil Corporation	United States	Petroleum expl./ref./distr.	214 231	331 052	316 686	433 526	49 496	82 100	66.0
5	Toyota Motor Corporation	Japan	Motor vehicles	214 117	372 566	142 888	235 200	123 655	325 905	52.1
6	Total SA	France	Petroleum expl./ref./distr.	211 314	228 036	197 480	256 732	61 067	96 104	77.7
7	GDF Suez	France	Utilities (Electricity, gas and water)	194 422	296 650	82 731	126 040	110 554	218 873	60.6
8	Vodafone Group Plc	United Kingdom	Telecommunications	171 941	186 176	65 448	74 089	75 476	83 862	90.2
9	Enel SpA	Italy	Electricity, gas and water	153 665	236 037	66 817	110 528	36 656	75 360	58.1
10	Telefonica SA	Spain	Telecommunications	147 903	180 186	63 014	87 346	231 066	286 145	78.3
11	Chevron Corporation	United States	Petroleum expl./ref./distr.	139 816	209 474	139 344	236 286	31 000	61 000	58.8
12	E.ON AG	Germany	Utilities (Electricity, gas and water)	133 006	212 499	90 958	157 011	43 756	78 889	58.7
13	Eni SpA	Italy	Petroleum expl./ref./distr.	122 081	198 700	106 240	153 631	45 516	78 686	62.8
14	Arcelor Mittal	Luxembourg	Metal and metal products	117 023	121 880	93 679	93 973	197 149	260 523	90.5

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multinational corporations

The largest MNCs, by foreign employment, 2011

Ranking assets	Corporation	Home economy	Industry c	Assets		Sales		Employment		TNI b
				Foreign	Total	Foreign	Total	Foreign d	Total	
34	Wal-Mart Stores Inc	United States	Retail & Trade	74 660	180 663	109 232	421 849	800 000	2 100 000	35.1
15	Nestlé SA	Switzerland	Food, beverages and tobacco	116 130	121 257	92 166	94 191	318 301	328 000	96.9
49	International Business Machines Corporation	United States	Electrical & electronic equipment	57 819	116 433	69 875	106 916	308 287	433 362	62.1
72	Carrefour SA	France	Retail & Trade	39 710	66 626	65 247	115 046	302 557	412 464	63.2
16	Volkswagen Group	Germany	Motor vehicles	115 081	221 486	173 390	221 486	277 105	501 956	61.8
69	Deutsche Post AG	Germany	Transport and storage	40 739	53 389	50 161	73 435	255 394	423 502	68.3
17	Siemens AG	Germany	Electrical & electronic equipment	112 356	141 750	87 418	102 488	244 000	360 000	77.4
10	Telefonica SA	Spain	Telecommunications	147 903	180 186	63 014	87 346	231 066	286 145	78.3
44	Hewlett-Packard Co	United States	Electrical & electronic equipment	64 969	129 517	83 134	127 245	228 392	349 600	60.3
54	Veolia Environnement SA	France	Utilities (Electricity, gas and water)	52 657	70 066	25 282	41 211	225 767	331 266	68.2
31	Hutchison Whampoa Limited	Hong Kong, China	Diversified	77 291	92 788	23 477	30 023	206 986	250 000	81.4
67	Tesco PLC	United Kingdom	Retail & Trade	41 084	80 197	34 546	103 163	199 038	492 714 e	41.7
14	ArcelorMittal	Luxembourg	Metal and metal products	117 023	121 880	93 679	93 973	197 149	260 523	90.5
1	General Electric Co	United States	Electrical & electronic equipment	172 242	172 242	77 480	147 300	170 000	301 000	59.7
59	Compagnie de Saint-Gobain SA	France	Non-metallic mineral products	49 786	64 267	42 840	58 543	145 994	194 658	75.2

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multinational corporations

What is the point of being a multinational?

- The 'liability of foreignness'
- Product/service/knowledge can be offered internationally through market: licenses/patents, subcontractors, third-party distributors, franchising
- But market failure abound (knowledge, components, finance)
- Being transnational can be an advantage (rather than a liability)

Firms will engage in international production if

1. they possess **ownership advantages** in a particular foreign market;
2. the enterprise perceives it to be in its best interest to add value to these ownership advantages rather than sell them to foreign firms—**internationalization advantages**;
3. and if **locational advantages** make it more profitable to exploit its assets in a particular foreign location rather than at home.

Why multinational: The eclectic OLI paradigm

The **ownership-specific advantages (O)** of an enterprise of one nationality over those of another can be derived from:

- (a) Possession of **intangible assets**. Product innovations, organizational and marketing systems, innovatory capacity, organization of work, noncodifiable knowledge; human capital; marketing, finance, know-how.
- (b) Advantages of **common governance**, including operational flexibility by offering wider opportunities for arbitraging, production shifting, and global sourcing of inputs.

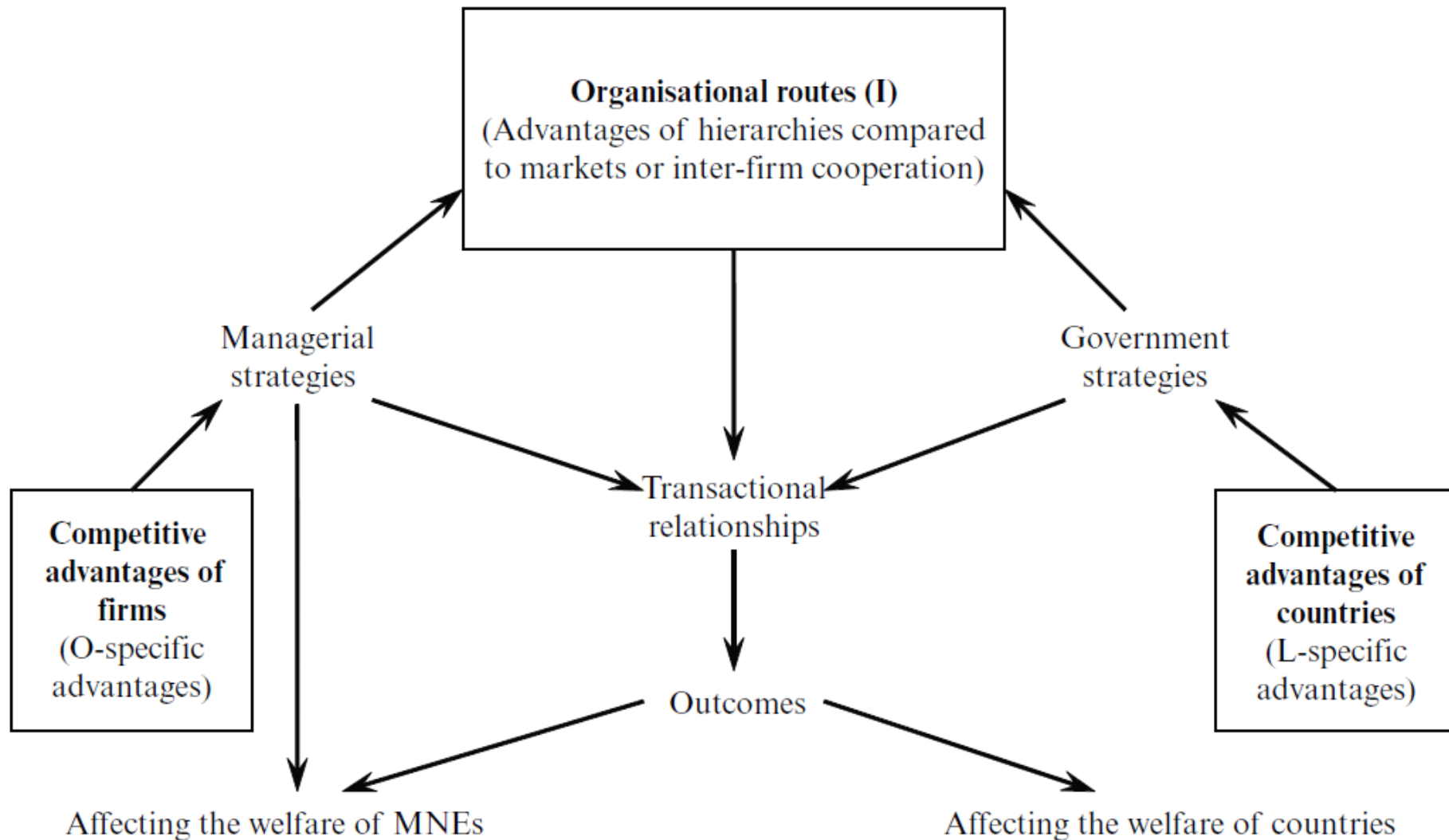
Internationalization incentive advantages (I) (i.e. circumvent/exploit market failure):

- (a) Avoid search and negotiating costs.
- (b) Avoid costs of moral hazard and adverse selection, and to protect reputation of internalizing firm.
- (c) Avoid costs of broken contracts and ensuing litigation.

Location-specific advantages (L) are derived from:

- (a) spatial distribution of natural and created resources endowments and markets;
- (b) international transport and communication costs;
- (c) investment incentives and disincentives;
- (d) artificial barriers to trade in goods and services;
- (e) cross-country ideological, language, cultural, business, political differences.

Why multinational: The eclectic OLI paradigm II



Source: Dunning & Lundan 2008: xxiv
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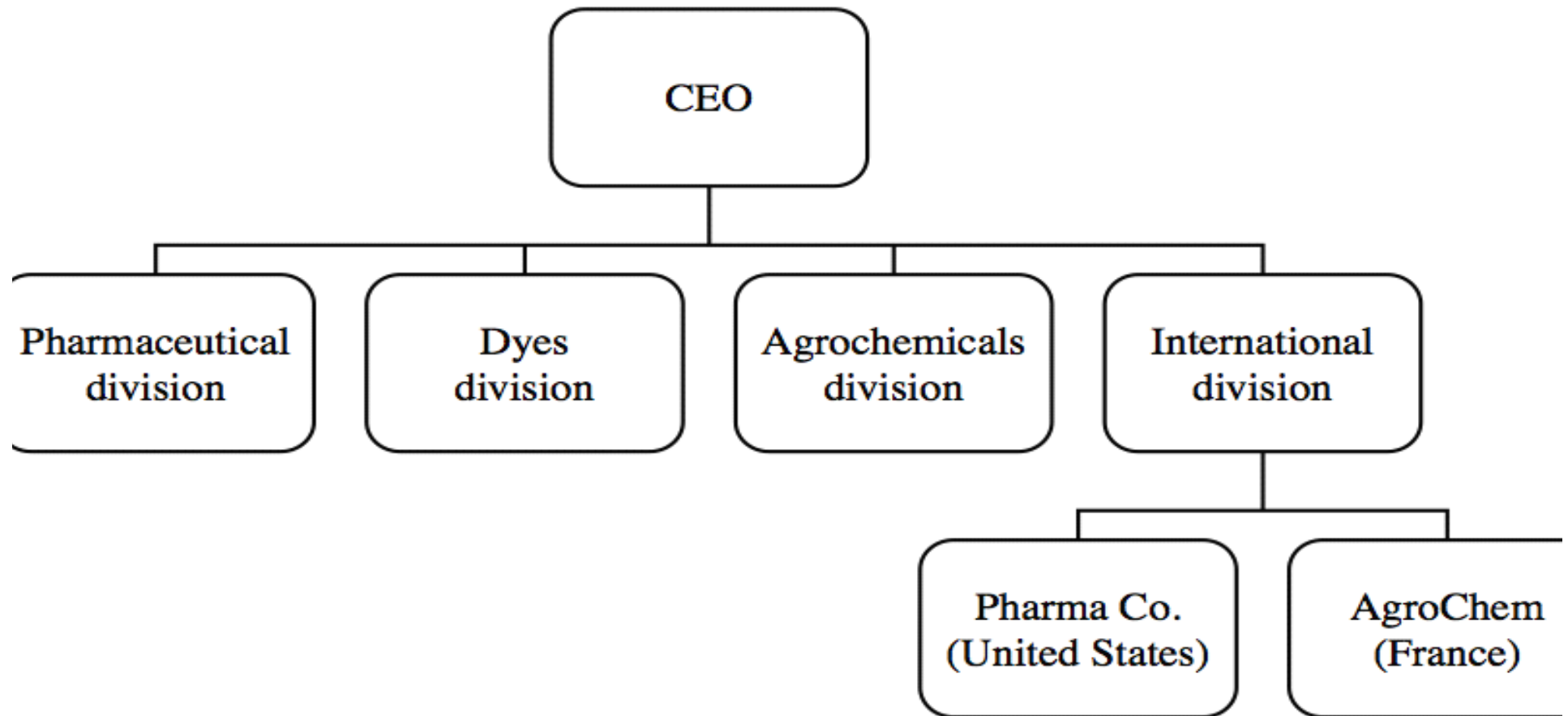
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Implications: what makes MNCs specific

- Multinational: diversity of cultures, institutions (industrial relations systems), markets, wage & productivity levels
- Size
- O-specific advantages -> market power
 - Including wider opportunities of arbitraging (ability to relocate) -> power over labour
- Their nature (organizational model, strategy, size, degree of internationalization, ...) varies a lot
 - MNC type and market situation = OLI configuration + MNC strategy

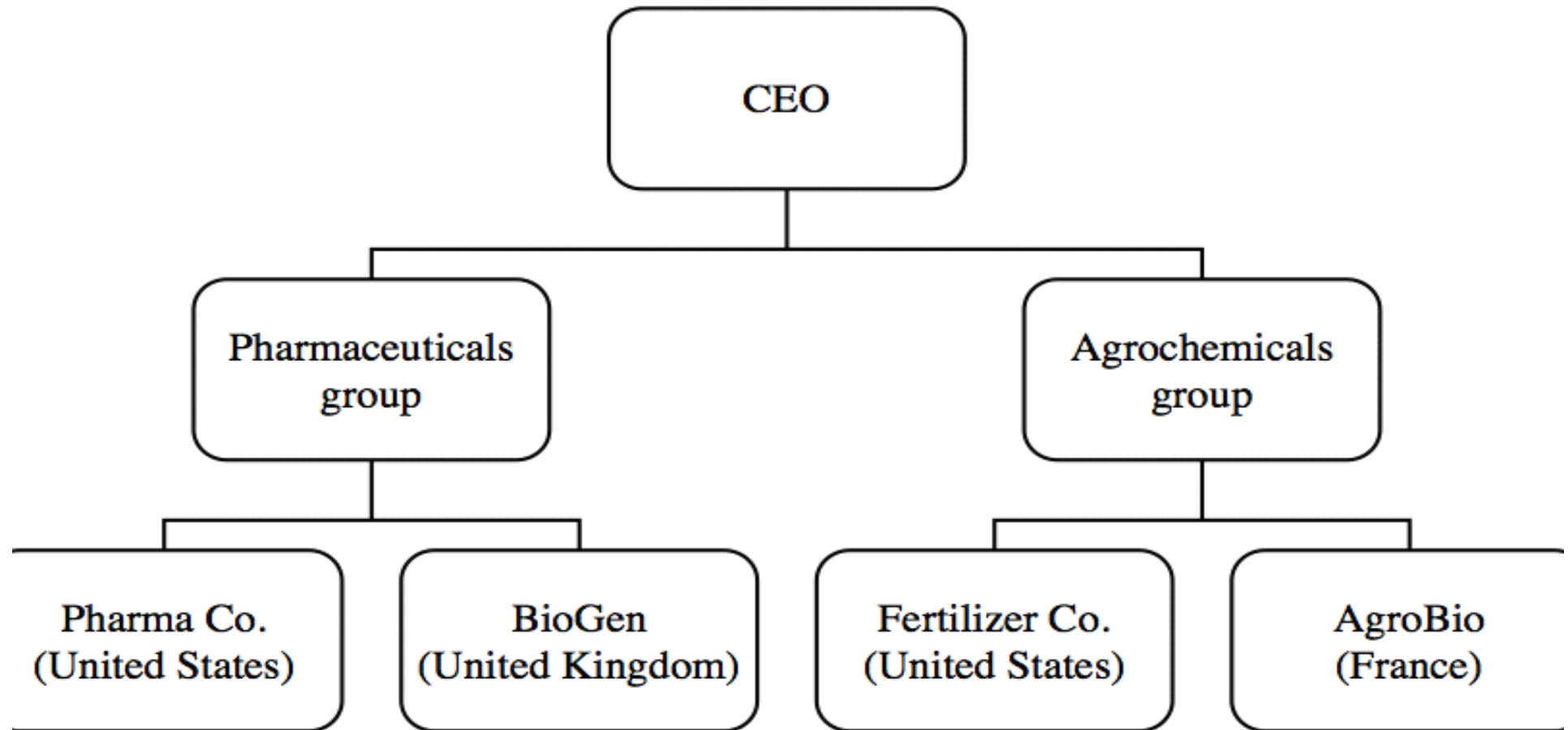
There is no single MNC organizational model

Case A: International division organisation



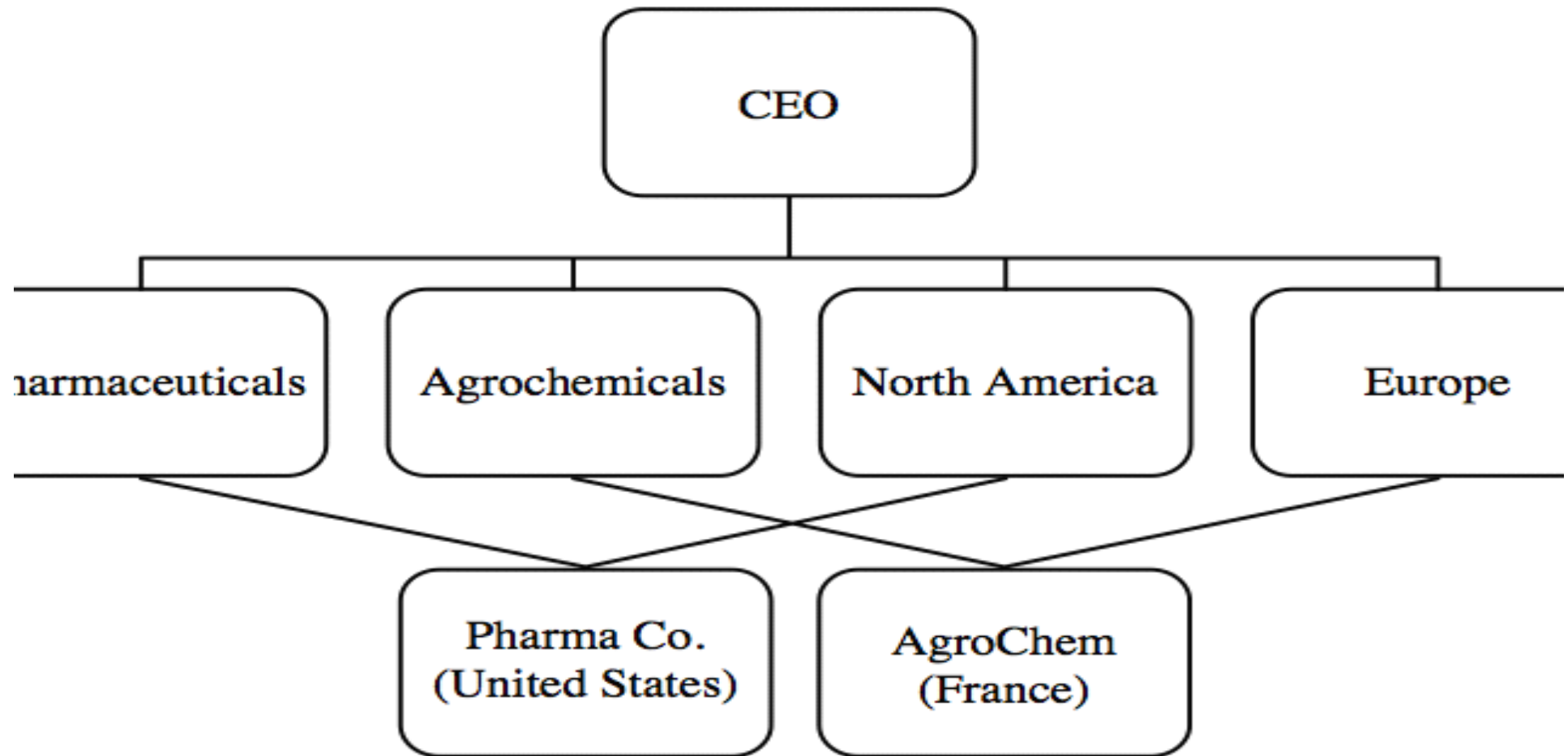
There is no single MNC organizational model (*cont.*)

Case B: Multidivisional global product organisation



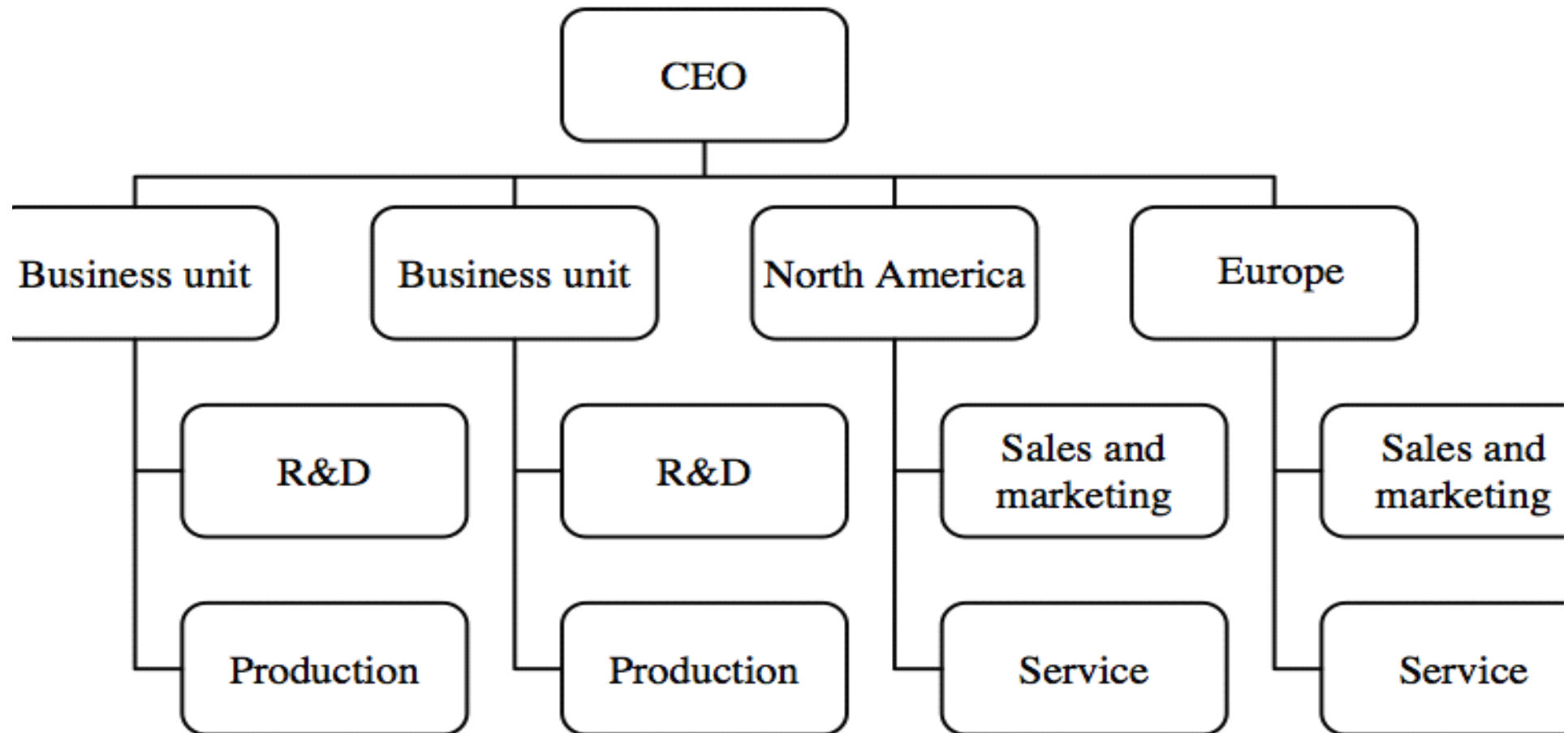
There is no single MNC organizational model (*cont.*)

Case C: Matrix organisation



There is no single MNC organizational model (*cont.*)

Case D: Front-end/back-end organisation



MNCs: implications for employment

Impact on home countries

- Foreign activities some substitution effects on domestic employment (in individual companies), outsourcing associated with increased demand for skilled labour, net employment effects likely marginally positive

Impact on host countries

- *Can* (not necessarily *do*) enhance indigenous human activities

Hence: the perspective of the economy (macro) and that of an enterprise/subsidiary very different, possible considerable sectoral job-losses even if aggregate effects neutral, contributing to inequality (skill premium)

Moreover: effects contingent on government policies (structural adjustment, ALMP, training), other contextual factors

Impact on industrial/employment relations

Local management autonomy in employment relations?

- Traditionally HR and IR left to local management
- But: Often strong country of origin effect observed
- New HRM developments

Do IR matter for location decisions?

- Some econometric evidence that low unionization and flexibility preferred (particularly US MNCs), works councils possibly a positive effect
- but preferences complex, IR will be decisive only under specific conditions

MNCs and collective bargaining: Destructive effects

- Tend to join employer association & own (better) company agreements, but variation
 - Cases of opt from sectoral agreements (Fiat)
 - new member states: MNCs avoid sectoral organisations
 - cases where unions not recognised at new sites
- Key HRM innovators: pioneering flexible payment systems, working-time arrangements across Europe

MNCs and collective bargaining: Constructive effects?

- Indirect cross-border coordination through cross-border comparisons
 - labour costs, flexibility performance (management, but some unions)
 - productivity/employment protection (unions)
- Small, but growing number of transnational framework agreements
 - mainly vertically integrated value chain (auto, metal)
 - Often originates in employer practices (standardization, benchmarking, best practices)
- EWCs

Obstacles to transnational collective bargaining

- **Structural:** incompatible IR systems, union structures (unwillingness to delegate power upwards)
- **Political:** neoliberal politics, weak ITU presence in WTO and the like
- **Social identity:** lack of identity with global representatives, solidarity on the international level, preoccupation with national problems
- **Power and information imbalances**
- Employer resistance & TU defense of EWCs prerogatives

Obstacles: an illustration (Bernaciak, 2010)

Polish unions: Western union assistance more beneficial than national solutions

		Yes	No
German union: national solutions available	Yes	VW engine plants (employment issues) <u>No cooperation</u> : the Germans uninterested, as employment guarantees negotiable at the national level	MAN bus division <u>No cooperation</u> : relocation spurs national responses
	No	GM (after 2004) VW engine plants (product allocation, production shifts, organizational support) <u>Cooperation</u> : reciprocal exchange	GM (until 2004) <u>No cooperation</u> : the Poles uninterested, as gains from local concessions higher than from transnational cooperation